

FINANCIAL SERVICES

## Luxury stocks grow as Chinese slowdown fears subside

March 7, 2019



*Chinese consumers are still showing a heavy appetite for luxury goods. Image credit: Fendi*

By SARAH JONES

After taking a hit due to worries that Chinese consumers would be cutting back on their spending, luxury share prices continued to rebound in February.

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Some of the business' biggest companies reported record results driven by Chinese consumption, helping to assuage some concerns about the market's outlook. As a result, the Savigny Luxury Index that measures the average stock price of 18 of the biggest luxury firms grew 7 percent during last month.

"China's appetite for luxury goods is still strong and featured prominently in this month's results announcements from major luxury players," said Pierre Mallevays, managing partner of [Savigny Partners](#), in the report.

### China consumption

Countering reports of slowed growth, groups including LVMH, Kering and Richemont reported a continued momentum among Chinese consumers.

LVMH Mot Hennessy Louis Vuitton saw a record-breaking year of growth, which was pushed by Chinese luxury shoppers despite slowdown concerns.

Excluding the impact of the closure of the Hong Kong airport concessions at the end of 2017, organic revenue grew by 12 percent and the company's total revenue in 2018 was 10 percent higher than the previous year ([see story](#)).

As a result, LVMH's share prices grew 8 percent during the month of February.

Similarly, Kering saw a 9.7 percent spike in its stocks following the release of its own positive results, with its profitability reaching a historic high.



*Gucci's Chinese New Year campaign. Image courtesy of Gucci, The Three Little Pigs, copyright Disney*

The French luxury group's consolidated revenues were up 26.3 percent in 2018, as its key fashion houses saw double-digit increases ([see story](#)).

Richemont, meanwhile, saw an 11.7 percent bump in its share price after reporting a 25 percent sales increase for the third quarter of the fiscal year, as its recent acquisitions helped to bolster its results ([see story](#)).

Results from Hermès and Moncler also helped to drive the sentiment that China remains hungry for luxury.

Beauty group Estée Lauder Companies' quarterly sales topped \$4 billion for the first time in the second quarter of the 2019 fiscal year, ended Dec. 31 ([see story](#)). Per Savigny's analysis, the group's share prices grew 15 percent in February.



*Estée Lauder Companies' sales were up in the holiday period. Image credit: Estée Lauder*

Countering the growth trend, Tapestry's shares were down following results that missed expectations. Luxottica and Safilo's share prices also took a hit, which could be tied to the opening of LVMH's new eyewear manufacturing facility through its partnership with Marcolin.

While luxury stocks were up 7 percent in both January and February, they still have not returned to the levels seen last June.

Valuing values

In the past month, there have been numerous moves by luxury companies in an effort to boost diversity and sensitivity.

Following repercussions of a product many deemed as racist, Italian fashion label Prada is spotlighting diversity and inclusion in a new program, as many of its peers attempt to navigate similar controversies.

A recent unfortunate trend in the high-fashion world has seen labels facing backlash due to products that members of the public say resemble blackface. These brands are often missing the mark with items viewed as racist, and it could be because of a lack of diversity within the company ([see story](#)).

Gucci and Burberry have also launched similar programs following products that received backlash.

Companies are also making more moves toward supporting animal rights.

Hinting at a larger sustainability push within luxury retail and fashion, British department store chain Selfridges has

announced its plans to stop selling items made with exotic skins within the next year.

As more luxury brands commit to going fur-free, exotic leathers such as crocodile, alligator, lizard and python appear to be the next materials to be evaluated. Other companies are biding time and becoming more transparent about their sustainability practices while continuing the use of such materials ([see story](#)).

During the last month, Victoria Beckham decided to stop using exotic skins and Coach became one of the latest brands to eschew fur.

"The industry's ethics are under increasing scrutiny, a shift that is bolstered by the current reality of trial by social media," Mr. Mallevays said.

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